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FISCAL IMPACT STATEMENT

LS 6882 **NOTE PREPARED:** Feb 17, 2005
BILL NUMBER: SB 228 **BILL AMENDED:** Feb 15, 2005

SUBJECT: Hospital Care for the Indigent Program.

FIRST AUTHOR: Sen. Miller **BILL STATUS:** CR Adopted - 1st House
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: (Amended) This bill extends the time period to 45 days in which a hospital may submit an application for a person to participate in the Hospital Care for the Indigent (HCI) Program. The bill requires the Division of Family and Children to review information provided by the hospital in determining a person's eligibility for the program and allows the Division to elect not to interview the person if the information submitted is sufficient to determine the person's eligibility for the program. It prohibits the Division from denying eligibility for the program only because specified time limits have expired. The bill states that if the Division does not determine eligibility within a specified time frame, the person is considered eligible for the program. It also limits the information the Division may request from a hospital.

The bill also repeals sections concerning the Division's ability to recover payments under the program and subrogation.

The bill amends the formula in determining a county's Hospital Care for the Indigent property tax levy and the applicable years.

Effective Date: (Amended) July 1, 2003, (Retroactive); Upon passage.

Explanation of State Expenditures: (Revised) *Eligibility Determination:* This bill extends the period of time that a provider has to submit an application to the Division from 30 days from the patient encounter or admission to 45 days from the patient encounter or discharge. Effectively this provision allows physicians and transportation services an additional 15 days to submit an application for the HCI Program. Hospitals would have a time frame extended by 15 days plus the length of stay in the case of an admission. This provision has no fiscal impact.

The bill also provides that the Division may rely on information collected by the hospital in order to determine the individual's eligibility for the HCI Program. Further, the Division is allowed to choose not to interview the applicant if the information provided appears to indicate that the applicant is eligible for the program. The bill also specifies that the expiration of the 45 days allowed for the Division to determine eligibility is not a valid reason to deny assistance for the HCI program. If the Division does not make a determination within the given time frame, the person is considered to be eligible for the program. These provisions may increase the number of persons determined to be eligible for the HCI program. If these eligibility determinations are found to be incorrect or assigned to the wrong county of residence, county levies could be affected, although the impact could be insignificant and would depend on individual circumstances.

HCI Eligibility Determination Background: Prior to July 1, 2003, hospitals were not required to submit claims for the HCI Program to the Division. The County Offices of Family and Children were required to determine eligibility only for the applicants for eligibility related to physician and transportation claims for payment. Effective July 1, 2003, hospital claims were required to be submitted to the County DFC offices for eligibility determinations. These will be the majority of the claims submitted under the program. The Division may use HCI funds to reimburse the state administration account for the caseworker time involved in making the eligibility determination.

HCI Property Tax Levy: The state pays a 20% property tax replacement credit (PTRC) on the amount of levy that is within a civil unit's maximum levy limit and is attributable to property other than business personal property. Likewise, the state pays a 20% homestead credit on the net tax due (after PTRC) of levies that are within the limit and attributable to homesteads.

The change in the HCI levy under this bill would also change the state's expense for PTRC and homestead credits. The actual change in state expenditures depends on the actual amount and direction of levy change. Based on the levy or levy cap estimates shown in *Explanation of Local Revenues,* the state's expense could rise by $13,000 in FY 2006, but could be reduced by as much as $900,000 in FY 2007 and $1.7 M in FY 2008.

PTRC and homestead credits are paid from the Property Tax Replacement Fund (PTRF). These credits are paid from the state General Fund if insufficient balances are available in the PTRF.

Explanation of State Revenues: (Revised) The bill repeals two provisions that allow the Division to pursue repayment of the amounts paid by the HCI Program from the applicants, their legal appointed representatives, an estate, or from an insurance company. This provision will have a fiscal impact on the state dependent upon individual circumstances. The emergency medical necessity requirements for eligibility indicate that traffic accident victims may be likely to apply for HCI benefits and elimination of the subrogation assignment of the applicant's rights will eliminate the Division's ability to seek reimbursement from insurance settlements. In the past, the Division has had collections from this source. Since hospitals were not submitting claims under the previous administration of the program, the amount of collections that would be lost as a result of the repeal would be dependent upon individual circumstances. Previous years' collections are unknown at this time. *(This information will be updated when it becomes available.)*

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) *HCI Property Tax Levy:* Under current law, the HCI tax levy in each county through CY 2006 is equal to the previous year's levy, multiplied by each county's actual 3-year assessed value growth quotient (AVGQ). The CY 2007 levy will equal the average annual amount of claims paid in the county in FY 2004, FY 2005, and FY 2006. Beginning in CY 2008, the levy will equal the average annual amount of claims paid in the county in the three most recent completed fiscal years. However, the levies in CY 2007 and beyond would be limited to the greater of (1) the CY 2006 levy, or (2) the previous year's maximum levy multiplied by the county's actual 3-year AVGQ.

Under this proposal, the formula used in CY 2006 would be continued for CY 2007 and CY 2008. The actual 3-year AVGQ would be changed to a 5-year AVGQ for CY 2006, CY 2007, and CY 2008. (This analysis assumes that the five years of AV growth would be divided by five to determine a 5-year average.) The levy formula that, under current law, will go into effect for CY 2007 levies would be delayed until CY 2009. For CY 2009, the average claims used in calculating the levy would be a 5-year average rather than a 3-year average. After CY 2009, the claims used in the levy formula would revert to a 3-year average. The AVGQ used for calculating the cap in the formula for CY 2009 and beyond would also change to a 5-year AVGQ.

Under current law, the statewide total HCI levy is estimated at $51.1 M in CY 2005 and $51.5 M in CY 2006. Under the current levy formula, the levy cap is estimated at $56.0 M in CY 2007 and $61.8 M in CY 2008. The larger growth that begins in CY 2007 appears because of the annual assessed value adjustments that are currently scheduled to begin with assessments for taxes paid in CY 2006. These valuation adjustments directly affect the assessed value growth quotient used in the HCI levy formula.

Under this proposal, the 2006 levy is estimated at $51.7 M. The levy would grow to an estimated $52.1 M in CY 2007 and $54.7 M in CY 2008. In CY 2006, levies could increase under the bill by $175,000. The levy caps would fall by an estimated $3.9 M in CY 2007 and $7.2 M in CY 2008.

The actual impact on CY 2007 and CY 2008 HCI levies is not known because the previous year's collections which are used in the levy formula are unknown at this time.

State Agencies Affected: Division of Family and Children, Family and Social Services Administration.

Local Agencies Affected: County Hospitals and emergency transportation providers.

Information Sources:

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